

Condensed Consolidated Interim Financial Statements  
(Unaudited)  
(Stated in Canadian Dollars)



*(An Exploration Stage Company)*

For the three and nine months ended March 31, 2019



## **NOTICE TO SHAREHOLDERS FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2019**

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Mexican Gold Corp. (A Development Stage Company) were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Only changes in accounting policies have been disclosed in these unaudited condensed consolidated interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.



**CONDENSED INTERIM STATEMENT OF  
FINANCIAL POSITION**  
(Stated in Canadian Dollars)  
(Unaudited)

| As at                                     | March 31<br>2019<br>\$ | June 30<br>2018<br>\$ |
|---|------------------------|-----------------------|
| <b>ASSETS</b>                             |                        |                       |
| <b>Current assets</b>                     |                        |                       |
| Cash and cash equivalents                 | 41,018                 | 185,658               |
| Temporary investments                     | 14,961                 | 25,000                |
| Amounts receivable [note 5]               | 319,423                | 166,647               |
| Prepays and deposits                      | 189,603                | 426,179               |
| <b>Total current assets</b>               | <b>565,005</b>         | <b>803,484</b>        |
| <b>Total Assets</b>                       | <b>565,005</b>         | <b>803,484</b>        |
| <b>LIABILITIES</b>                        |                        |                       |
| <b>Current liabilities</b>                |                        |                       |
| Accounts payable and accrued liabilities  | 453,917                | 158,305               |
| <b>Total current liabilities</b>          | <b>453,917</b>         | <b>158,305</b>        |
| <b>EQUITY</b>                             |                        |                       |
| Share capital [note 7]                    | 26,613,369             | 24,590,926            |
| Equity settled employee benefits [note 7] | 3,633,318              | 3,411,766             |
| Foreign currency translation              | 29,072                 | (33,100)              |
| Deficit                                   | (30,164,671)           | (27,324,413)          |
| <b>Total equity</b>                       | <b>111,088</b>         | <b>645,179</b>        |
| <b>Total Liabilities and Equity</b>       | <b>565,005</b>         | <b>803,484</b>        |

*Nature of Business and Going Concern [note 1]*

*See accompanying notes to the condensed consolidated interim financial statements*

*These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on May 22, 2019.*

*They are signed on the Corporation's behalf by:*

*"Brian Robertson"*  
Director

*"Ali Zamani"*  
Director



(Incorporated under the laws of Ontario)

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Stated in Canadian Dollars)  
(Unaudited)

|  | For the three months ended |                  | For the nine months ended |                    |
|--|----------------------------|------------------|---------------------------|--------------------|
|  | March 31                   |                  | March 31                  |                    |
|  | 2019                       | 2018             | 2019                      | 2018               |
|  | \$                         | \$               | \$                        | \$                 |
| <b>EXPENSES</b>  |                            |                  |                           |                    |
| Exploration expenses <i>[note 6]</i>                         | 53,523                     | 483,975          | 1,443,529                 | 1,108,211          |
| General and administrative <i>[note 9]</i>                   | 437,097                    | 389,598          | 1,163,321                 | 1,045,575          |
| Professional fees  | 5,806                      | -                | 11,856                    | 22,858             |
| Recovery of Value Added Tax                                  | -                          | (102,591)        | -                         | (203,658)          |
| Share-based payments <i>[note 7]</i>                         | 51,506                     | 141,320          | 221,552                   | 501,799            |
|  | <b>547,932</b>             | <b>912,302</b>   | <b>2,840,258</b>          | <b>2,474,785</b>   |
| <b>Loss for the period</b>                                   | <b>(547,932)</b>           | <b>(912,302)</b> | <b>(2,840,258)</b>        | <b>(2,474,785)</b> |
| Exchange differences on translation of<br>foreign operations | (6,161)                    | 74,228           | 62,172                    | (20,317)           |
| <b>Total comprehensive loss for period</b>                   | <b>(554,093)</b>           | <b>(838,074)</b> | <b>(2,778,086)</b>        | <b>(2,495,102)</b> |
| <b>Basic and diluted loss per<br/>share <i>[note 8]</i></b>  | <b>(0.02)</b>              | <b>(0.04)</b>    | <b>(0.04)</b>             | <b>(0.07)</b>      |

*See accompanying notes to the condensed consolidated interim financial statements*



(Incorporated under the laws of Ontario)

**CONDENSED INTERIM STATEMENT OF  
CASH FLOW  
MARCH 31**

(Stated in Canadian Dollars)  
(Unaudited)

|  | 2019<br>\$  | 2018<br>\$  |
|--|-------------|-------------|
|  |             | Note 12     |
| <b>OPERATING ACTIVITIES</b>  |             |             |
| Loss for the period  | (2,840,258) | (2,474,785) |
| Add charges to earnings not involving a current payment of cash    |             |             |
| Share-based payments   | 221,552     | 501,799     |
| Shares issued as compensation                                      | -           | 20,000      |
|  | (2,618,706) | (1,952,986) |
| Changes in non-cash working capital balances related to operations |             |             |
| Accounts receivable  | (152,776)   | (63,539)    |
| Prepays and deposits   | 236,576     | 75,785      |
| Accounts payable and accrued liabilities                           | 295,612     | 370,129     |
| Cash used in operating activities                                  | (2,239,294) | (1,570,611) |
| <b>INVESTMENT ACTIVITIES</b>                                       |             |             |
| Proceeds from the redemption of investments                        | 10,039      | -           |
| Cash provided by investment activities                             | 10,039      | -           |
| <b>FINANCING ACTIVITIES</b>  |             |             |
| Shares issued in private placements                                | 2,143,000   | -           |
| Proceeds from the exercise of share purchase warrants              | -           | 1,034,029   |
| Share issue costs  | (120,557)   | -           |
| Cash provided by financing activities                              | 2,022,443   | 1,034,029   |
| Decrease in cash and cash equivalents during period                | (206,812)   | (536,582)   |
| Cash and cash equivalents, beginning of period                     | 185,658     | 834,057     |
| Effect of exchange rate on cash held                               | 62,172      | (20,317)    |
| Cash and cash equivalents, end of period                           | 41,018      | 277,158     |

*See accompanying notes to the condensed consolidated interim financial statements*



(Incorporated under the laws of Ontario)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF  
CHANGES IN EQUITY**  
(Stated in Canadian Dollars)  
(Unaudited)

| Issued and outstanding:                       | Share Capital     |                   | Reserves       |                                  |                              |                     | Total Equity   |
|---|-------------------|-------------------|----------------|----------------------------------|------------------------------|---------------------|----------------|
|   | Number of Shares  | Share Capital     | Warrants       | Equity Settled Employee Benefits | Foreign currency translation | Deficit             |                |
| <b>Balance as at June 30, 2017</b>            | 34,175,229        | 22,328,103        | 166,960        | 2,591,608                        | 1,462                        | (23,829,503)        | 1,258,630      |
| Exercise of warrants <i>[note 7]</i>          | 4,141,965         | 1,071,482         | (35,960)       | -                                | -                            | -                   | 1,035,522      |
| Shares issued as compensation <i>[note 7]</i> | 78,431            | 20,000            | -              | -                                | -                            | -                   | 20,000         |
| Share-based payments                          | -                 | -                 | -              | 501,799                          | -                            | -                   | 501,799        |
| Comprehensive income (loss) for the period    | -                 | -                 | -              | -                                | (21,779)                     | (2,474,785)         | (2,496,564)    |
| <b>Balance as at March 31, 2018</b>           | 38,395,625        | 23,419,585        | 131,000        | 3,093,407                        | (20,317)                     | (26,304,288)        | 319,387        |
| Private placement #1 <i>[note 7]</i>          | 3,489,833         | 1,046,950         | -              | -                                | -                            | -                   | 1,046,950      |
| Exercise of warrants <i>[note 7]</i>          | 741,300           | 159,334           | 35,960         | -                                | -                            | -                   | 195,294        |
| Share issue costs                             | -                 | (34,943)          | -              | -                                | -                            | -                   | (34,943)       |
| Share-based payments                          | -                 | -                 | -              | 151,399                          | -                            | -                   | 151,399        |
| Comprehensive loss for the period             | -                 | -                 | -              | -                                | (12,783)                     | (1,020,125)         | (1,032,908)    |
| <b>Balance as at June 30, 2018</b>            | 42,626,758        | 24,590,926        | 166,960        | 3,244,806                        | (33,100)                     | (27,324,413)        | 645,179        |
| Private placement <i>[note 7]</i>             | 10,715,000        | 2,143,000         | -              | -                                | -                            | -                   | 2,143,000      |
| Share-based payments <i>[note 7]</i>          | -                 | -                 | -              | 221,552                          | -                            | -                   | 221,552        |
| Share issue costs <i>[note 7]</i>             | -                 | (120,557)         | -              | -                                | -                            | -                   | (120,557)      |
| Comprehensive loss for the period             | -                 | -                 | -              | -                                | 62,172                       | (2,840,258)         | (2,778,086)    |
| <b>Balance as at March 31, 2019</b>           | <b>53,341,758</b> | <b>26,613,369</b> | <b>166,960</b> | <b>3,466,358</b>                 | <b>29,072</b>                | <b>(30,164,671)</b> | <b>111,088</b> |

See accompanying notes to the condensed consolidated interim financial statements



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)  
(Unaudited)

For the three and nine months ended March 31, 2019  
(with comparative figures for the three and nine months ended March 31, 2018)

### 1. NATURE OF BUSINESS

Mexican Gold Corp. (formerly Source Exploration Corp.) (the "Corporation") was incorporated under the Business Corporation's Act (Alberta) on October 5, 2006, and is engaged in the acquisition, exploration, and evaluation of mineral properties. On January 17, 2011 the Corporation received all necessary approvals to continue into the jurisdiction of Ontario.

The Corporation is in the process of exploring and evaluating its mineral properties and, on the basis of the information to date, has not yet determined whether any of the properties contain economically recoverable reserves. The recovery of expenditures on the mineral properties is dependent upon the existence of economically recoverable mineralization, the Corporation securing and maintaining title and beneficial interest in the properties, and the ability of the Corporation to obtain the necessary financing to complete the exploration and development and future profitable production or, alternatively, on the sufficiency of proceeds from disposition.

#### Going concern

At March 31, 2019 the Corporation had not yet achieved profitable production, had accumulated losses of \$30,164,671, had a current working capital balance of \$111,088 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Corporation's ability to continue as a going concern. The Corporation will require additional financing in order to complete its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they become due. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The Corporation's ability to continue as a going concern is dependent upon its ability to fund its exploration and evaluation programs. Management plans to secure the necessary financing through the issue of new equity. Nevertheless, there is no assurance that these initiatives will be successful.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

These unaudited consolidated financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended June 30, 2018.

The accounting policies applied in the preparation of these unaudited consolidated financial statements are consistent with those applied and disclosed in the Corporation's consolidated financial statements for the year ended June 30, 2018, with the exception of certain amendments to accounting standards issued by the IASB, which were effective January 1, 2014. These amendments did not have a significant impact on the Corporation's audited consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Corporation's assets and liabilities are accounted for prospectively. The critical judgements and estimates applied in the preparation of the Corporation's unaudited



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)  
(Unaudited)

For the three and nine months ended March 31, 2019  
(with comparative figures for the three and nine months ended March 31, 2018)

consolidated financial statements are consistent with those applied and disclosed in note 2 to the Corporation's consolidated financial statements for the year ended June 30, 2018.

The unaudited consolidated financial statements of the Corporation for the period ended March 31, 2019 were approved and authorized by the Board of Directors on May 22, 2019.

### Statement of Compliance

These unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

### Significant accounting judgements and estimates

In the application of the Corporation's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

#### Significant estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Significant estimates include:

- the inputs used in accounting for share-based payments expense;
- the provision for income taxes; and
- the estimated useful lives of equipment and leaseholds.

#### Significant judgements

The following are significant judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

#### Functional currency

Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

#### Financial assets and liabilities

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)  
(Unaudited)

For the three and nine months ended March 31, 2019  
(with comparative figures for the three and nine months ended March 31, 2018)

### Deferred income tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

### **3. RECENT ACCOUNTING PRONOUNCEMENTS**

The accounting policies adopted in the preparation of these consolidated financial statements have been prepared on the basis of all IFRS and interpretations effective as at March 31, 2019.

The following standards were applied for the periods beginning on or after January 1, 2018 and had no material effect on the Corporation's financial statements:

#### **Accounting standards issued and effective January 1, 2018**

The Corporation has assessed the following changes to accounting standards and determined that there will be no material impact on the financial statements:

- IFRS 15, Revenue from Contracts with Customers establishes a single model in accounting for revenue arising from contracts with customers. This will supersede current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations
- IFRS 9, Financial Instruments introduces new requirements for the classification and measurement of financial assets and liabilities.

The Corporation has not applied the following revised or new IFRS that have been issued but were not yet effective at March 31, 2019.

#### **Accounting standards issued and effective January 1, 2019**

The Corporation is currently assessing the impact that the following changes to accounting standards will have on the financial statements:

- IFRS 16, Leases introduces new requirements for the classification and measurement of leases.
- IFRIC 23, Uncertainty over Income Tax Treatments provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is applicable for period beginning on or after January 1, 2019. Earlier adoption is permitted.



**NOTES TO THE CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS**

(Stated in Canadian Dollars)  
(Unaudited)

For the three and nine months ended March 31, 2019  
(with comparative figures for the three and nine months ended March 31, 2018)

**4. SEGMENTED INFORMATION**

The Corporation currently operates in one operating segment, the exploration of mineral properties in Mexico. Management of the Corporation makes decisions about allocating resources based on the one operating segment. A geographic summary of identifiable assets, liabilities, and operating activities by country is as follows:

**As at March 31, 2019**

|                              | <b>Canada</b>    | <b>Mexico</b>   | <b>Total</b>     |
|------------------------------|------------------|-----------------|------------------|
|                              | <b>\$</b>        | <b>\$</b>       | <b>\$</b>        |
| <b>Segmented Assets</b>      | <b>217,932</b>   | <b>332,111</b>  | <b>550,043</b>   |
| <b>Segmented Liabilities</b> | <b>(401,919)</b> | <b>(51,998)</b> | <b>(453,917)</b> |

**For the nine month period ended March 31, 2019**

| <b>Operating activities</b> |                  |                  |                  |
|-----------------------------|------------------|------------------|------------------|
| Depreciation                | -                | -                | -                |
| Exploration expenses        | 55,125           | 1,388,404        | <b>1,443,529</b> |
| General and administrative  | 1,160,067        | 3,253            | <b>1,163,320</b> |
| Professional fees           | 11,856           | -                | <b>11,856</b>    |
| Share-based payments        | 221,553          | -                | <b>221,553</b>   |
| Interest income             |                  |                  |                  |
| <b>Total</b>                | <b>1,448,601</b> | <b>1,391,657</b> | <b>2,840,258</b> |

**For the three month period ended March 31, 2019**

|                             | <b>Canada</b>    | <b>Mexico</b>    | <b>Total</b>     |
|-----------------------------|------------------|------------------|------------------|
|                             | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        |
| <b>Operating activities</b> |                  |                  |                  |
| Exploration expenses        | 31,391           | 1,313,702        | <b>1,345,093</b> |
| General and administrative  | 906,570          | 3,256            | <b>909,826</b>   |
| Professional fees           | 5,806            | -                | <b>5,806</b>     |
| Share-based payments        | 127,467          | -                | <b>127,467</b>   |
| <b>Total</b>                | <b>1,071,234</b> | <b>1,316,958</b> | <b>2,388,192</b> |



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)  
(Unaudited)

For the three and nine months ended March 31, 2019  
(with comparative figures for the three and nine months ended March 31, 2018)

### As at March 31, 2018

|                              | Canada<br>\$ | Mexico<br>\$ | Total<br>\$ |
|------------------------------|--------------|--------------|-------------|
| <b>Segmented Assets</b>      | 716,395      | 109,279      | 825,674     |
| <b>Segmented Liabilities</b> | (407,727)    | (98,591)     | (506,318)   |

### For the nine month period ended March 31, 2018

| <b>Operating activities</b> |                  |                |                  |
|-----------------------------|------------------|----------------|------------------|
| Exploration expenses        | 200              | 1,108,011      | 1,108,211        |
| General and administrative  | 985,451          | 60,124         | 1,045,575        |
| Professional fees           | 22,858           | -              | 22,858           |
| Share-based payments        | 501,799          | -              | 501,799          |
| Recovery of Value Added Tax | -                | (203,658)      | (203,658)        |
| <b>Total</b>                | <b>1,510,308</b> | <b>964,477</b> | <b>2,474,785</b> |

### For the three month period ended March 31, 2018

|                             | Canada<br>\$   | Mexico<br>\$   | Total<br>\$      |
|-----------------------------|----------------|----------------|------------------|
| <b>Operating activities</b> |                |                |                  |
| Exploration expenses        | 200            | 483,775        | <b>483,975</b>   |
| General and administrative  | 355,254        | 34,344         | <b>389,598</b>   |
| Share-based payments        | 141,230        | -              | <b>141,230</b>   |
| Recovery of Value Added Tax | -              | (102,591)      | <b>(102,591)</b> |
| <b>Total</b>                | <b>496,684</b> | <b>415,528</b> | <b>912,212</b>   |

### As at June 30, 2018

|                              | Canada<br>\$ | Mexico<br>\$ | Total<br>\$ |
|------------------------------|--------------|--------------|-------------|
| <b>Segmented Assets</b>      | 635,522      | 167,962      | 803,484     |
| <b>Segmented Liabilities</b> | (106,410)    | (51,895)     | (158,305)   |

### 5. AMOUNTS RECEIVABLE

The balance of amounts receivable is made up of \$6,292 in commodity tax (HST) receivables from the Canadian government, and \$313,131 in value-added tax (VAT) receivable by Roca Verde from the Mexican government.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)  
(Unaudited)

For the three and nine months ended March 31, 2019  
(with comparative figures for the three and nine months ended March 31, 2018)

### 6. EXPLORATION AND EVALUATION

Accumulated costs with respect to the Corporation's interest in mineral properties owned, leased or under option, consisted of the following:

#### For the nine months ended March 31, 2019

|                                     | Las Minas and La<br>Miqueta<br>\$ | Nine months ended<br>March 31, 2018<br>\$ | Inception to date total<br>\$ |
|-------------------------------------|-----------------------------------|---|-------------------------------|
| Analytical                          | -                                 | -   | 376,149                       |
| Geological and consulting           | 145,660                           | 387,279                                   | 3,988,416                     |
| Transportation and Accommodation    | 21,084                            | -   | 177,174                       |
| Drilling                            | 59,083                            | 491,259                                   | 6,392,104                     |
| Geophysical                         | -                                 | 22,819                                    | 97,498                        |
| Operational support                 | 29,237                            | 116,423                                   | 438,627                       |
| Others                              | -                                 | 1,067                                     | 402,026                       |
| <b>Subtotal</b>                     | <b>255,064</b>                    | <b>1,018,847</b>                          | <b>11,871,994</b>             |
| Acquisition costs / Option payments | 1,188,465                         | 89,364                                    | 2,004,688                     |
| <b>Total expenditures</b>           | <b>1,443,529</b>                  | <b>1,108,211</b>                          | <b>13,876,682</b>             |

#### For the three months ended March 31, 2019

|                                     | Las Minas and La<br>Miqueta<br>\$ | Three months<br>ended March 31, 2018<br>\$ |
|-------------------------------------|-----------------------------------|--|
| Analytical                          | -                                 | -  |
| Geological and consulting           | 28,592                            | 175,098                                    |
| Transportation and Accommodation    | 8,539                             | -  |
| Drilling                            | -                                 | 198,453                                    |
| Geophysical                         | -                                 | -  |
| Operational support                 | 16,392                            | 73,138                                     |
| Others                              | -                                 | -  |
| <b>Subtotal</b>                     | <b>53,523</b>                     | <b>446,689</b>                             |
| Acquisition costs / Option payments | -                                 | 67,206                                     |
| <b>Total expenditures</b>           | <b>53,523</b>                     | <b>513,895</b>                             |

#### Las Minas and La Miqueta

On October 13, 2010, the Corporation's 100% owned Mexican subsidiary Roca Verde Exploracion de Mexico entered into exclusive Letters of Intent to acquire the Las Minas and La Miqueta properties, collectively named the Las Minas Project. The project is comprised of five privately held mineral concessions in the core of the Las Minas district in the State of Veracruz, Mexico.

Pursuant to the terms of the original Las Minas property agreement the Corporation was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US\$190,000 plus VAT over the next 36 months and a final payment of US\$1,000,000 plus VAT



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)  
(Unaudited)

For the three and nine months ended March 31, 2019  
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upon exercising the option. The Vendors retained a 1.5% Net Smelter Return ("NSR") subject to an exclusive buyback provision allowing the Corporation to purchase one third or a 0.5% NSR for US\$500,000. The Corporation retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Corporation also agreed to complete a work program which required \$200,000 in expenditures to maintain the concessions in good standing during the three year term of the agreement.

Pursuant to the terms of the original La Miqueta property agreement the Corporation was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US\$95,000 plus VAT over 36 months beginning October 13, 2010 and a final payment of US\$500,000 plus VAT upon exercising the option. The Vendors retained a 1.5% NSR subject to an exclusive buyback provision that allowed the Corporation to purchase one third or a 0.5% NSR for US\$500,000. The Corporation retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Corporation also agreed to keep the property in good standing with respect to concession taxes. During 2012, an extension agreement was executed to extend the deadline for the final payment by 12 months.

### **Option agreement extended to 2016**

On June 6, 2013, the Corporation extended the option agreement to acquire the Pepe, Pepe Tres, and San Jose concessions located at the Las Minas property in Veracruz State, Mexico, and further revised on November 20, 2013. The amended agreement extended the term of the option agreement by an additional two years to December 5, 2015. Scheduled payments as per the terms of the amended agreement were US \$130,000 over a 6 month period ending May 5, 2014, US \$150,000 on December 5, 2014, with a final payment of US \$1,300,000 on December 5, 2015. All payments are subject to VAT. The Corporation also retained the right to exercise the option at the latest on December 5, 2013 upon payment of US \$1,000,000 as per the terms of the original option agreement on October 13, 2010.

On October 1, 2015, the Corporation announced the successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property. These concessions are part of the six concessions held under option or wholly owned by Mexican Gold at Las Minas, Veracruz State, Mexico.

The new agreement extended the term of the option agreement by an additional one year to December 5, 2016. The payment for granting the extension was US\$165,000, payable in equal monthly installments over a six month period and commencing at the latest on December 7, 2015.

On November 21, 2016, the Corporation announced another successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property.

The new agreement extends the term of the option agreement by an additional one year to December 5, 2017 for consideration equal to US\$180,000, payable in equal monthly installments over a six month period and commencing no later than December 7, 2016 (\$246,482).

All other terms of the original agreement of November 30, 2010 and prior extension agreement of May 21, 2013 remained unchanged.



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### **Extension of Las Minas option agreement to 2017**

On April 23, 2015, the Corporation signed a two year extension to its option agreement to acquire the Pueblo Nuevo and La Luz 1 concessions located at its Las Minas property. These concessions are part of the concessions held under option or wholly owned by Roca Verde, (the wholly owned subsidiary of Mexican Gold) at Las Minas, Veracruz State, Mexico.

The new agreement extends the term of the option agreement by an additional two years to May 3, 2017. Scheduled payments per the terms of the agreement are as follows:

- US \$12,500 (paid) cash consideration and \$12,500 (issued) in common shares of Mexican Gold as soon as is practicable following acceptance of the extension of the option agreement by the TSXV;
- US \$12,500 (paid) cash consideration and US \$12,500 (issued) in common shares of Mexican Gold on April 22, 2016; and
- Final option payment due on May 3, 2015 extended to May 3, 2017 and reduced from US \$500,000 to US \$150,000 (paid) (Cdn\$195,723).

All payments are subject to VAT. All other terms of the original agreement remain unchanged.

### **Acquisition of Pepe, Pepe Tres and San Jose concessions**

On June 8, 2017, the Corporation through its wholly-owned subsidiary, Roca Verde, entered into a definitive purchase and sale agreement (the "Purchase Agreement") to acquire a 100% interest in the Pepe, Pepe Tres and San Jose concessions (the "Concessions") at its Las Minas property from the current owners (the "Owners"). The Concessions form the core of the Las Minas property and encompass six highly mineralized zones, including the El Dorado/Juan Bran and Santa Cruz zones.

Pursuant to the terms of the Purchase Agreement, Roca Verde has agreed to acquire the Concessions in consideration for the following payments to the Owners:

- an initial payment of US\$433,333 (Cdn\$553,288) plus Value Added Tax, payable upon execution of the Purchase Agreement (the "Initial Payment") (paid);
- six equal payments of US\$22,000 plus Value Added Tax, payable monthly commencing on December 5, 2017 with the final payment due on May 7, 2018 (the "Monthly Payments") (paid); and
- a final payment of US\$866,666 plus Value Added Tax, payable on or before December 5, 2018 (the "Final Payment" and, together with the Initial Payment and the Monthly Payments, the "Consideration") (paid).

In December 2018 the Corporation's subsidiary Roca Verde completed the final payment of the Purchase Agreement to acquire the 100% interest in the Pepe, Pepe Tres, and San Jose concessions at the Las Minas property.

Pursuant to the terms of the Purchase Agreement, upon the transfer of the Concessions, the Owners shall retain a 1.5% NSR (the "Royalty"), of which one third may be purchased by Roca Verde for US\$500,000 plus Value Added Tax. Roca Verde has a right of first refusal on the Royalty in the event that the Owners intend to transfer all or part of the Royalty.



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### 7. CAPITAL AND RESERVES

#### *i. Authorized*

The Corporation is authorized to issue an unlimited number of common shares.

#### *ii. Details of share issuances*

2019

On November 22, 2018, the Corporation closed the first tranche of non-brokered private placement of 10,315,000 common shares (each a "Unit") at a price of \$0.25 for gross proceeds of \$2,063,000. Each Unit consists of one common share of the Corporation and once common share purchase warrant, exercisable at a price of \$0.30 for a period of thirty-six months, subject to the Corporation's option to accelerate the expiry date of the Warrants on notice to the holders of the Warrants, if at any time after four months and one date from the closing date of the Private Placement, the closing price of its Common Shares on a stock exchange in Canada is greater than \$0.45 per Common Share for a period of 20 consecutive trading days (the "Acceleration Option") In connection with the closing of the first tranche, the Corporation paid to certain eligible finders \$76,510 in cash fees in the aggregate and issued a total of 356,300 compensation warrants which are exercisable at a price of \$0.30 per Common Share for thirty-six months, subject to the Corporation's Acceleration Option.

On March 13, 2019, the Corporation closed the second and final tranche of non-brokered private placement of 400,000 common shares (each a "Unit") at a price of \$0.25 for gross proceeds of \$100,000. Each Unit consists of one common share of the Corporation and once common share purchase warrant, exercisable at a price of \$0.30 for a period of thirty-six months, subject to the Corporation's option to accelerate the expiry date of the Warrants on notice to the holders of the Warrants, if at any time after four months and one date from the closing date of the Private Placement, the closing price of its Common Shares on a stock exchange in Canada is greater than \$0.45 per Common Share for a period of 20 consecutive trading days (the "Acceleration Option")

2018

(i) On August 9, 2017, the Corporation issued 78,431 shares with a deemed value of \$20,000 as compensation.

(ii) On April 10, 2018, the Corporation closed a non-brokered private placement of 3,489,833 common shares (each a "Unit") at a price of \$0.30 for gross proceeds of \$1,046,950. Each Unit consists of one common share of the Corporation and once common share purchase warrant, exercisable at a price of \$0.60 for a period of thirty-six months. Share issue costs of \$24,943 were deducted from equity.



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**iii. Warrants**

The following table reflects the continuity of warrants as at March 31, 2019:

| <b>Expiry Date</b>              | <b>Exercise Price</b> | <b>Opening Balance</b> | <b>Warrants Issued</b> | <b>Warrants Exercised</b> | <b>Warrants Expired</b> | <b>Closing Balance</b> |
|---------------------------------|-----------------------|------------------------|------------------------|---------------------------|-------------------------|------------------------|
|                                 | <b>\$</b>             | <b>#</b>               | <b>#</b>               | <b>#</b>                  | <b>#</b>                | <b>#</b>               |
| November 30, 2018               | 0.250                 | 4,059,872              | -                      | -                         | (4,059,872)             | -                      |
| November 30, 2018*              | 0.250                 | 270,920                | -                      | -                         | (270,920)               | -                      |
| March 03, 2019                  | 0.250                 | 8,423,068              | -                      | -                         | (8,423,068)             | -                      |
| May 15, 2019                    | 2.000                 | 1,025,717              | -                      | -                         | -                       | <b>1,025,717</b>       |
| May 15, 2019*                   | 2.000                 | 51,738                 | -                      | -                         | -                       | <b>51,738</b>          |
| May 25, 2019                    | 0.450                 | 5,990,270              | -                      | -                         | -                       | <b>5,990,270</b>       |
| May 25, 2019*                   | 0.450                 | 75,950                 | -                      | -                         | -                       | <b>75,950</b>          |
| April 10, 2021                  | 0.600                 | 3,489,833              | -                      | -                         | -                       | <b>3,489,833</b>       |
| November 22, 2021               | 0.300                 | -                      | 10,315,000             | -                         | -                       | <b>10,315,000</b>      |
| November 22, 2021*              | 0.300                 | -                      | 356,300                | -                         | -                       | <b>356,300</b>         |
| March 13, 2022                  | 0.300                 | -                      | 400,000                | -                         | -                       | <b>400,000</b>         |
|                                 |                       | <b>23,387,368</b>      | <b>11,071,300</b>      | -                         | <b>(12,753,860)</b>     | <b>21,704,808</b>      |
| Weighted average exercise price |                       | 0.340                  | 0.300                  | -                         | 0.25                    | <b>0.340</b>           |

\* Finder's warrants.





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The following table reflects the continuity of warrants as at June 30, 2018:

| <b>Expiry Date</b>              | <b>Exercise Price</b> | <b>Opening Balance</b> | <b>Warrants Issued</b> | <b>Warrants Exercised</b> | <b>Warrants Expired</b> | <b>Closing Balance</b> |
|---------------------------------|-----------------------|------------------------|------------------------|---------------------------|-------------------------|------------------------|
|                                 | \$                    | #                      | #                      | #                         | #                       | #                      |
| November 30, 2018               | 0.250                 | 4,987,172              | -                      | (927,300)                 | -                       | <b>4,059,872</b>       |
| November 30, 2018*              | 0.250                 | 270,920                | -                      | -                         | -                       | <b>270,920</b>         |
| March 03, 2019                  | 0.250                 | 12,307,033             | -                      | (3,883,965)               | -                       | <b>8,423,068</b>       |
| March 03, 2019*                 | 0.250                 | 72,000                 | -                      | (72,000)                  | -                       | <b>-</b>               |
| May 15, 2019                    | 2.000                 | 1,025,717              | -                      | -                         | -                       | <b>1,025,717</b>       |
| May 15, 2019*                   | 2.000                 | 51,738                 | -                      | -                         | -                       | <b>51,738</b>          |
| May 25, 2019                    | 0.450                 | 5,990,270              | -                      | -                         | -                       | <b>5,990,270</b>       |
| May 25, 2019*                   | 0.450                 | 75,950                 | -                      | -                         | -                       | <b>75,950</b>          |
| April 10, 2021                  | 0.600                 | -                      | 3,489,833              | -                         | -                       | <b>3,489,833</b>       |
|                                 |                       | <b>24,780,800</b>      | <b>3,489,833</b>       | <b>(4,883,265)</b>        | <b>-</b>                | <b>23,387,368</b>      |
| Weighted average exercise price |                       | 0.340                  | 0.600                  | 0.25                      | -                       | <b>0.340</b>           |

\* Finder's warrants.

The fair value of the finder's warrants were estimated using the Black-Scholes option pricing model, with the following assumptions:

|                                | <b>2019</b> | <b>2018</b> |
|--------------------------------|-------------|-------------|
| Risk-free interest rate        | -           | 1.5979 %    |
| Annualized volatility****      | -           | 170.32%     |
| Expected dividend              | <b>NIL</b>  | <b>NIL</b>  |
| Expected warrant life in years | -           | 5           |

\*\*\*\* Volatility was estimated based on the historical share price of the Corporation.



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#### *iv. Share purchase option compensation plan*

The Corporation has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The following table reflects the stock options outstanding as at March 31, 2019:

| Expiry Date                     | Exercise Price<br>\$ | Opening Balance<br># | Granted<br># | Exercised<br># | Expired/<br>Cancelled<br># | Closing Balance<br># |
|---------------------------------|----------------------|----------------------|--------------|----------------|----------------------------|----------------------|
| June 20, 2019                   | 1.350                | 290,000              | -            | -              | -                          | 290,000              |
| March 20, 2020                  | 0.800                | 184,000              | -            | -              | -                          | 184,000              |
| May 24, 2022                    | 0.350                | 400,000              | -            | -              | -                          | 400,000              |
| May 29, 2022                    | 0.360                | 100,000              | -            | -              | -                          | 100,000              |
| March 07, 2027                  | 0.300                | 1,250,000            | -            | -              | -                          | 1,250,000            |
| May 29, 2027                    | 0.360                | 950,000              | -            | -              | -                          | 950,000              |
| May 29, 2027                    | 0.550                | 250,000              | -            | -              | -                          | 250,000              |
| November 20, 2027               | 0.360                | 200,000              | -            | -              | -                          | 200,000              |
| December 12, 2027               | 0.350                | 167,466              | -            | -              | -                          | 167,466              |
| April 20, 2028                  | 0.390                | 174,000              | -            | -              | -                          | 174,000              |
| May 16, 2028                    | 0.370                | 100,000              | -            | -              | -                          | 100,000              |
|                                 |                      | 4,065,466            | -            | -              | -                          | 4,065,466            |
| Weighted average exercise price |                      | 0.440                | -            | -              | -                          | 0.440                |

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, \$51,506 was recorded as compensation for the options vested during the period (2018 - \$141,320 was recorded as compensation during the period). As of March 31, 2019 there are 1,252,311 unvested stock options, (2018- 2,767,466 unvested).

\* No options exercised during the period

\*\* The weighted average remaining life of the outstanding stock options is 3.53 years (December 31, 2018 - 8.05 years).

The corporation currently estimates the forfeiture rate to be nil.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

|                               | 2019 | 2018              |
|-------------------------------|------|-------------------|
| Risk-free interest rate       | -    | 2.0               |
| Annualized volatility*        | -    | 174.17% - 174.35% |
| Expected dividend             | NIL  | NIL               |
| Expected option life in years | -    | 10                |

\*Volatility was estimated based on the historical share price of the Corporation.



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**8. LOSS PER SHARE**

The basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Fully diluted loss per share is the same as basic loss per share. The effect of common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

The following table sets forth the computation of basic and diluted loss per share:

|  | <b>2019</b>       | 2018        |
|--|-------------------|-------------|
| <u>Numerator:</u>                        |                   |             |
| Net loss                                 | <b>(554,093)</b>  | (1,657,118) |
| <u>Denominator:</u>                      |                   |             |
| Weighted average number of common shares | <b>47,512,287</b> | 35,187,588  |
| Basic and diluted loss per share         | <b>(0.01)</b>     | (0.05)      |

**9. RELATED PARTIES TRANSACTIONS**

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described below.

|                                  | Nature of transactions                    |
|----------------------------------|---|
| Drax Services Limited            | Corporate secretarial and filing services |
| Halstone Corporate Services Ltd. | Accounting and management services        |

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

- (a) Included in general and administrative expenses are amounts totaling \$12,893 (2018 - \$7,500) for corporate secretarial and filing services provided by DRAX Services Limited, a company related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation.
- (b) Included in general and administrative expenditures are amounts totaling \$18,445 (2018 - \$Nil) for accounting and management services provided by Halstone Corporate Services Ltd., a company related to the Corporation through Gavin Nelson, Chief Financial Officer of the Corporation.



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**Transactions with key management personnel**

Key management personnel remuneration includes the following expenses:

|                      | March 31, 2019<br>\$ | March 31, 2018<br>\$ |
|----------------------|----------------------|----------------------|
| Salary and wages     | 249,832              | 63,416               |
| Share-based payments | 134,149              | 327,552              |
| Other compensation   | 2,796                | 2,488                |
|                      | <b>386,777</b>       | <b>393,456</b>       |

(i) As at March 31, 2019, the directors and key management were owed \$321,712 (June 30, 2018 \$49,169) and this amount was included in accounts payable and accrued liabilities.

**10. FINANCIAL INSTRUMENTS AND RELATED RISKS**

The Corporation's operations include the acquisition and exploration of mineral properties in Mexico. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

[a] Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i) Cash and cash equivalents

In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

[b] Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. At March 31, 2019 the Corporation had a working capital balance of \$111,088. The Corporation will require additional financing in order to complete its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they become due.

Accounts payable and accrued liabilities are due within the current operating period.



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[c] Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates.

[d] Currency risk

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Corporation is the Canadian dollar. The functional currency of the subsidiary is the Mexican Peso. As at March 31, 2019, there are no significant financial instruments denominated in Mexican Pesos. Changes in the currency exchange rates between the Canadian dollar relative to Mexican Pesos could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations. At March 31, 2019 a 100 basis point decrease/increase in the Mexican Peso would result in a foreign exchange gain/loss of \$5,250.

The Corporation does not invest in derivatives to mitigate these risks.

### 11. MANAGEMENT OF CAPITAL RISK

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going-concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares and, acquire or dispose of mineral properties.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.